

**CITY OF ROWLEY**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2008**

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## City of Rowley

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rita Knutson	Mayor	Jan 2010
Susan Fangman	Council Member	Jan 2010
James Janaszak	Council Member	Jan 2010
Matthew Platte	Council Member	Jan 2012
Lorrie Rasmussen	Council Member	Jan 2012
Tony Schwarting	Council Member	Jan 2012
Deb Hemsath	City Clerk	
Doris Guge	Treasurer	
Lans Flickinger	Attorney	

Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rowley, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Rowley's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rowley as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2008 on our consideration of the City of Rowley's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 10 and 24 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rowley's basic financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

November 26, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Rowley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Revenues of the City of Rowley's governmental activities were \$161,258 during fiscal 2008. Property tax revenue was \$63,677, road use tax was \$18,790, and the local option sales tax revenue was \$20,256.
- Disbursements were \$288,150 during the year. Capital projects disbursements were \$144,168, public works were \$41,245, and general government disbursements were \$38,886.
- As Rowley completed this year, its governmental funds reported a combined a fund balance of \$77,489 a decrease of \$119,567 below last year's total of \$197,056.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and garbage. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include 1) the General Fund, 2) the Special Revenue Fund - Road Use Tax and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursement and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased \$119,567 from a year ago, decreasing from \$197,056 to \$77,489. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

Year ended June 30,  
2008

Receipts and transfers:	
Program receipts:	
Charges for service	\$ 22,667
Operating grants, contributions and restricted interest	22,245
Capital grants, contributions, and restricted interest	-
General receipts	
Property Tax	63,677
Unrestricted investment earnings	6,475
Local Option Sales Tax	20,256
Other general receipts	1,450
Transfers	-
Total receipts and transfers	<u>136,770</u>
Disbursements:	
Public safety	16,903
Public works	39,235
Health and social services	1,000
Culture and recreation	6,757
Community and economic development	725
General government	34,386
Debt service	6,653
Capital projects	<u>144,168</u>
Total disbursements	<u>249,827</u>
Change in cash basis net assets	<u>(113,057)</u>
Cash basis net assets beginning of year	<u>197,056</u>
Cash basis net assets end of year	<u>\$ 83,999</u>

The cost of all governmental activities this year was \$249,827. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$106,600 because some of the cost was paid by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest \$30,170. Debt service totaled \$ 6,653 in 2008.

Changes in Cash Basis Net Assets of Business Type Activities

Year ended June 30,  
2008

Receipts:	
Program receipts:	
Charges for service	
Water	\$ 700
Sewer	19,560
Operating grants, contributions and restricted interest	-
General receipts:	
Unrestricted investment earnings	<u>4,228</u>
Total Receipts	<u>24,488</u>



Disbursements and transfers:	
Water	568
Sewer	31,245
Transfers	-
Total disbursement & transfers	<u>31,813</u>
Change in cash basis net assets	(7,325)
Cash basis net assets beginning of year	150,156
Cash basis net assets end of year	\$ <u>142,831</u>

Total business type activities receipts for the fiscal year were \$24,488. The cash balance decreased by \$7,325. Total disbursements for the fiscal year were \$31,813.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As Rowley completed this year, its governmental funds reported a combined fund balance of \$77,489 a decrease of \$119,567 below last year's total of \$197,056. The following are the major reasons for the change in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$113,057 from the prior year. This was primarily due to the remodel and addition to the community hall.
- The Road Use Tax Fund cash balance increased by \$1,510 to \$16,528.
- The Debt Service Fund cash balance decreased by \$35 to \$344.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance remained steady with an increase of \$151 for a balance at the end of the year of \$3,074.
- The Sewer Fund cash balance decreased \$7,476 for a balance of at the end of the year of \$139,757, due to unexpected repairs to the sewer system.

#### **DEBT ADMINISTRATION**

On June 30, 2008, the City had \$59,161 outstanding in notes and other long-term debt, compared to \$62,728 last year as shown below.

#### Outstanding Debt at Year End

	<u>Year ended June 30,</u>	
	<u>2008</u>	<u>2007</u>
General obligation notes	\$ 47,001	50,568
Loan agreement	<u>12,160</u>	<u>12,160</u>
Total	\$ <u>59,161</u>	<u>62,728</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$47,001 is significantly below its constitutional debt limit of \$294,169.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Rowley's' elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates, and fees. The City of Rowley pretty much has the same expenditures and revenue for the City. The one change that needs to be addressed is that a 3% increase is needed to be figured in the expenditures that are needed every year due to the increase in cost for fuel, electricity. Our tax revenue rate will be the same as previous years which the City tries to keep at an average level. We do have a cash balance of \$347,212 for the beginning of the year and that will drop due to the Community Center project being completed and paid for. Those funds were from the Local Option Tax collected and appropriated for that project no property tax money is used for that project.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Hemsath, City Clerk, 109 Oak Street, Rowley, Iowa 52329.

**City of Rowley**

## **Basic Financial Statements**

## City of Rowley

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2008

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 16,903	-	-	-
Public works	39,235	22,237	18,790	-
Health and social services	1,000	-	-	-
Culture and recreation	6,757	-	-	-
Community and economic development	725	-	-	-
General government	34,386	430	3,455	-
Debt service	6,653	-	-	-
Capital projects	144,168	-	-	-
Total governmental activities	249,827	22,667	22,245	-
Business type activities:				
Water	568	700	-	-
Sewer	31,245	19,560	-	-
Total business type activities	31,813	20,260	-	-
Total	\$ 281,640	42,927	22,245	-
General Receipts:				
Property tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Debt Service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(16,903)	-	(16,903)
1,792	-	1,792
(1,000)	-	(1,000)
(6,757)	-	(6,757)
(725)	-	(725)
(30,501)	-	(30,501)
(6,653)	-	(6,653)
(144,168)	-	(144,168)
(204,915)	-	(204,915)
-	132	132
-	(11,685)	(11,685)
-	(11,553)	(11,553)
(204,915)	(11,553)	(216,468)
57,059	-	57,059
6,618	-	6,618
20,256	-	20,256
6,475	4,228	10,703
1,450	-	1,450
91,858	4,228	96,086
(113,057)	(7,325)	(120,382)
197,056	150,156	347,212
\$ 83,999	142,831	226,830
16,528	-	16,528
344	-	344
67,127	142,831	209,958
\$ 83,999	142,831	226,830

## City of Rowley

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue			
		Road		
	General	Use	Debt	Total
		Tax	Service	
Receipts:				
Property tax	\$ 57,059	-	6,618	63,677
Other city tax	20,256	-	-	20,256
Licenses and permits	430	-	-	430
Use of money and property	6,475	-	-	6,475
Intergovernmental	3,455	18,790	-	22,245
Charges for service	22,237	-	-	22,237
Miscellaneous	1,450	-	-	1,450
Total receipts	111,362	18,790	6,618	136,770
Disbursements:				
Operating:				
Public safety	16,903	-	-	16,903
Public works	21,955	17,280	-	39,235
Health and social services	1,000	-	-	1,000
Culture and recreation	6,757	-	-	6,757
Community and economic development	725	-	-	725
General government	34,386	-	-	34,386
Debt service	-	-	6,653	6,653
Capital projects	144,168	-	-	144,168
Total disbursements	225,894	17,280	6,653	249,827
Net change in cash balances	(114,532)	1,510	(35)	(113,057)
Cash balances beginning of year	181,659	15,018	379	197,056
Cash balances end of year	\$ 67,127	16,528	344	83,999
<b>Cash Basis Fund Balances</b>				
Reserved:				
Debt service	\$ -	-	344	344
Unreserved:				
General fund	67,127	-	-	67,127
Special revenue funds	-	16,528	-	16,528
Total cash basis fund balances	\$ 67,127	16,528	344	83,999

See notes to financial statements

## City of Rowley

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Governmental Funds

As of and for the year ended June 30, 2008

<b>Total governmental funds cash balances (page 15)</b>	\$ 83,999
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net assets of governmental activities (page 14)</b>	<u>\$ 83,999</u>
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<b>Net change in cash balances (page 15)</b>	\$ (113,057)
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of governmental activities (page 14)</b>	<u>\$ (113,057)</u>
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See notes to financial statements



## City of Rowley

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Use of money and property	\$ 19	\$ 4,209	4,228
Charges for service	700	19,560	20,260
Total operating receipts	719	23,769	24,488
Operating disbursements:			
Business type activities	568	31,245	31,813
Total operating disbursements	568	31,245	31,813
Net change in cash balances	151	(7,476)	(7,325)
Cash balances beginning of year	2,923	147,233	150,156
Cash balances end of year	\$ 3,074	139,757	142,831
Cash Basis Fund Balances			
Unreserved	\$ 3,074	139,757	142,831

See notes to financial statements

City of Rowley

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets -  
Proprietary Funds

As of and for the year ended June 30, 2008

<b>Total enterprise funds cash balances (page 17)</b>	\$ 142,831
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Cash basis net assets of business type activities (page 14)</b>	<u>\$ 142,831</u>
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<b>Net change in cash balances (page 17)</b>	\$ (7,325)
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The city does not have an internal service fund.  
Therefore there are no reconciling items.

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<b>Change in cash balance of business type activities (page 14)</b>	<u>\$ (7,325)</u>
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See notes to financial statements

City of Rowley

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

The City of Rowley is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Rowley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in one jointly governed organization, a 28E Agreement regarding Maintenance of Farm to Market Extensions within the City's corporate limits of Rowley, Buchanan County, Iowa, that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

#### C. Measurement Focus and Basis of Accounting

The City of Rowley maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial

statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

#### D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008 disbursements exceeded the amounts budgeted in the public works, capital projects, and business type activities functions.

### (2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	\$ 108,794	108,794	Various Dates

### (3) **Notes Payable**

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Note		Pumper Loan Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	3,544	3,108	3,565	525	7,109	3,633
2010	3,774	2,878	3,565	525	7,339	3,403
2011	4,019	2,633	3,565	525	7,584	3,158
2012	4,281	2,371	1,465	524	6,381	2,895
2013	4,559	2,093	-	-	4,559	2,093
2014 - 2018	26,824	5,616	-	-	26,824	5,616
Total	\$ 47,001	18,699	12,160	2,099	59,161	20,798

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008 were \$1,095, equal to the required contribution.

**(5) Interfund Transfers**

There were no interfund transfers for the year ended June 30, 2008.

**(6) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$1,790 during the year ended June 30, 2008.

**(7) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Subsequent Event**

In July 2008, the City issued \$65,000 of local option sales and service tax revenue bonds for the remodel and addition of the community hall.

### **Required Supplementary Information**

City of Rowley  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 63,677	-	-
Other city tax	20,256	-	-
Licenses and permits	430	-	-
Use of money and property	6,475	4,228	-
Intergovernmental	22,245	-	-
Charges for service	22,237	20,260	-
Miscellaneous	1,450	-	-
Total receipts	136,770	24,488	-
Disbursements:			
Public safety	16,903	-	-
Public works	39,235	-	-
Health and social services	1,000	-	-
Culture and recreation	6,757	-	-
Community and economic development	725	-	-
General government	34,386	-	-
Debt service	6,653	-	-
Capital projects	144,168	-	-
Business type activities	-	31,813	-
Total disbursements	249,827	31,813	-
Net change in cash balances	(113,057)	(7,325)	-
Balances beginning of year	197,056	150,156	-
Balances end of year	\$ 83,999	142,831	-

See accompanying independent auditor's report.



Net	Budgeted Amounts Original and Final	Final to Net Variance
63,677	62,032	1,645
20,256	20,577	(321)
430	20	410
10,703	2,500	8,203
22,245	20,031	2,214
42,497	41,115	1,382
1,450	150	1,300
161,258	146,425	14,833
16,903	16,960	57
39,235	39,935	700
1,000	1,000	-
6,757	8,700	1,943
725	725	-
34,386	39,265	4,879
6,653	6,653	-
144,168	-	(144,168)
31,813	20,555	(11,258)
281,640	133,793	(147,847)
(120,382)	12,632	(133,014)
347,212	317,247	29,965
226,830	317,247	(90,417)

City of Rowley

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the year.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the capital projects and business type activities functions.

### **Other Supplementary Information**

**Schedule 1**

City of Rowley

## Schedule of Indebtedness

Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Fire station	October 15, 1998	6.50%	\$ 75,000
Loan agreements:			
1985 Ford pumper	April 26, 2007	5.25%	14,260

See accompanying independent auditor's report

**Schedule 1**

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 50,568	-	3,567	47,001	3,086	-
12,160	-	-	12,160	-	115
\$ 62,728	-	3,567	59,161	3,086	115

## City of Rowley

## Note and Loan Maturities

June 30, 2008

Year Ending June 30,	General Obligation Notes		Loan Agreement		Total
	Fire Station		1985 Ford Pumper		
	October 15, 1998		April 26, 2007		
	Interest Rates	Amount			
2009	6.50	3,544	5.25	3,565	7,109
2010	6.50	3,774	5.25	3,565	7,339
2011	6.50	4,019	5.25	3,565	7,584
2012	6.50	4,281	5.25	1,465	5,746
2013	6.50	4,559		-	4,559
2014	6.50	4,855		-	4,855
2015	6.50	5,171		-	5,171
2016	6.50	5,507		-	5,507
2017	6.50	5,865		-	5,865
2018	6.50	5,426		-	5,426
Total		\$ 47,001		12,160	59,161

See accompanying independent auditor's report

**Schedule 3**

## City of Rowley

Schedule of Receipts by Source and Disbursements By Function  
All Governmental Funds

	<u>2008</u>
Receipts:	
Property tax	\$ 63,677
Other city tax	20,256
Licenses and permits	430
Use of money and property	6,475
Intergovernmental	22,245
Charges for service	22,237
Miscellaneous	<u>1,450</u>
Total	<u>136,770</u>
Disbursements:	
Operating:	
Public safety	16,903
Public works	39,235
Health and social services	1,000
Culture and recreation	6,757
Community and economic development	725
General government	34,386
Debt service	<u>6,653</u>
Total	<u>\$ 105,659</u>

See accompanying independent auditor's report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rowley, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 26, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Rowley's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Rowley's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Rowley's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Rowley's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Rowley's financial statements that is more than inconsequential will not be prevented or detected by the City of Rowley's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Rowley's internal control.



Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-08, II-B-08, II-C-08, II-D-08, and II-E-08 are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rowley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Rowley's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Rowley's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Rowley and other parties to whom the City of Rowley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Rowley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

November 26, 2008

City of Rowley  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Rowley was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2008.

City of Rowley  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2008

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- II-B-08 Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We presently have unwritten guidelines. However we have not established a formal written policy detailing specifics on the use of City credit cards. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

- II-C-08 Disbursements – Invoices were not properly marked “paid” to help prevent possible duplicate payment of invoices.

Recommendation – All paid invoices should be marked or stamped “paid” with the date of payment to aid in preventing possible duplicate payment of invoices.

Response – Invoices will all be marked paid.

Conclusion – Response accepted.

City of Rowley

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- II-D-08 Public Improvement Contracts – If the estimated total cost of a public improvement exceeds the competitive bid threshold of \$100,000, then Chapter 26.3 of the Code of Iowa states, in part, “A governmental entity shall have an engineer licensed under Chapter 542B, or an architect registered under Chapter 544A prepare plans and specifications, and calculate the estimated total cost of a proposed public improvement.” The City did not retain the services of an engineer or architect mentioned above when completing the addition and remodel of the community hall.

Recommendation – The City should have retained the services of an engineer or architect licensed under the appropriate Chapter of the Code of Iowa for the addition and remodel of the community center.

Response – We were unaware of this requirement and will be sure to comply with the Code of Iowa in the future.

Conclusion – Response accepted.

- II-E-08 Financial Reporting – During the audit we found three checks totaling \$6,509.70 that were written during the year but held by the City as of June 30, 2008 so the disbursement would be recorded within the June 20, 2008 fiscal year end.

Recommendation – Checks should not be written and recorded until the service has been performed and the invoice is received.

Response - We will do this.

Conclusion – Response accepted.

- II-F-08 Fund Balances – During the audit we discovered that the garbage business type function and the capital improvement project were being accounted for and budgeted within the general fund.

Recommendation - Activities relating to garbage, which is a business type function, should be accounted for within the proprietary funds. Capital project activities should be accounted for in a separate capital projects fund.

Response – We will consider this.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported

City of Rowley

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Part III: Other Findings Related to Statutory Reporting:**

- III-A-08 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2008.

Recommendation – The City should update its depository resolution amount at the Rowley Savings Bank.

Response – We will do this.

Conclusion – Response accepted.

- III-B-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the capital projects and business type functions. Chapter 384.20 of the Code of Iowa states in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- III-C-08 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

- III-D-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-E-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Rick Hemsath, spouse of City Clerk, Owner of Northeast Iowa Animal Control	Nuisance animal removal	\$ 125
Roger Fangman, spouse of Council Member, Owner of Rowley Wrecker	General maintenance	1,665

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions do not appear to represent a conflict of interest because they were for less than \$2,500

City of Rowley

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

- III-F-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-G-08 Council Minutes – There were no instances that should have been approved by council that were not.
- III-H-08 Deposits and Investments – No instances of non-compliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment provisions were noted.
- III-I-08 Payment of General Obligation Bonds – The City properly paid for its general obligation bonds out of the Debt Service fund.
- III-J-08 Financial Condition – There were no deficit fund balances as of June 30, 2008.

City of Rowley

Staff

This audit was performed by:

Don Snitker, CPA, Partner  
Gina Trimble, CPA, Manager